



POSTAL REGULATORY COMMISSION

39 CFR Part 3050

[Docket No. RM2023-8; Order No. 6538]

Periodic Reporting

AGENCY: Postal Regulatory Commission.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Commission is acknowledging a recent filing requesting the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to periodic reports (Proposal Three). This document informs the public of the filing, invites public comment, and takes other administrative steps.

DATES: *Comments are due:* July 12, 2023.

ADDRESSES: Submit comments electronically via the Commission's Filing Online system at <https://www.prc.gov>. Those who cannot submit comments electronically should contact the person identified in the **FOR FURTHER**

INFORMATION CONTACT section by telephone for advice on filing alternatives.

FOR FURTHER INFORMATION CONTACT: David A. Trissell, General Counsel, at 202-789-6820.

SUPPLEMENTARY INFORMATION:

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I. Introduction

On June 7, 2023, the Postal Service filed a petition pursuant to 39 CFR 3050.11 requesting that the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to periodic reports.¹ The Petition identifies the proposed analytical changes filed in this docket as Proposal Three.

II. Proposal Three

Background. The International Cost and Revenue Analysis (ICRA) model develops estimated settlement and international transportation costs for the various categories of outbound international Negotiated Service Agreement (NSA) mail by using NSA activity to calculate product pricing group average rates. Petition, Proposal Three at 4-5. In Docket No. RM2022-9, the Commission approved changes in analytical principles to allow for more precise reporting of Revenue, Pieces, and Weight (RPW) data used in the ICRA.² As relevant here, the System for International Revenue and Volume, Outbound–International Origin-Destination Information System (SIRVO) data, which the Postal Service uses in its RPW methodology, includes fields at the destination-country level, a “Tracked” indicator for First-Class Package International Service (FCPIS), and gross weights for outbound international NSA mailpieces. Petition, Proposal Three at 5.

In addition, in January 2023, the Commission approved the Postal Service’s proposal to collapse zoned prices based on origin ZIP Code for Priority Mail International (PMI) destined to Canada into uniform rates as a single country

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Three), June 7, 2023 (Petition). Proposal Three is attached to the Petition. The Postal Service also filed a notice of filing of non-public material relating to Proposal Three. Notice of Filing of USPS-RM2023-8-NP1 and Application for Nonpublic Treatment, June 7, 2023.

² Docket No. RM2022-9, Order on Analytical Principles Used in Periodic Reporting (Proposal Three), September 12, 2022 (Order No. 6272).

group.³ In the Fiscal Year 2022 Annual Compliance Determination (ACD), the Commission noted that the Postal Service had included a file in a Library Reference that altered ICRA unit costs used as input to the financial models for NSAs as a result of the pricing changes for PMI destined to Canada, but did not mention the relevant computational change in the preface.⁴ Although the new file did not alter the results of the FY 2022 ACD, the Commission reminded the Postal Service of its obligations to identify any input data or quantification techniques that changed in the prior year and to request changes to analytical principles as appropriate. FY 2022 ACD at 86-87.

Proposal. The Postal Service proposes five revisions to analytical principles related to the ICRA. Three of those five revisions pertain to the use of Outbound International NSA SIRVO data.

First, the Postal Service proposes to use Outbound International NSA SIRVO data to attribute outbound settlement expenses and international transportation costs to international NSA products at the country-level. Petition, Proposal Three at 1. Currently, Outbound International NSA data used in the ICRA are reported by pricing group only. *Id.* at 11. Following the approval of Docket No. RM2022-9, Proposal Three, the underlying report data used in the ICRA contains more granularity, including NSA country-level detail. *Id.* Thus, the Postal Service proposes to assign settlement and international transportation rates to International NSA products using actual country-level International NSA data rather than product average pricing group rates. *Id.* at 5.

³ Docket No. CP2023-42, Order Approving Price Adjustments for Competitive Products, December 22, 2022 (Order No. 6384).

⁴ Docket No. ACR2022, Annual Compliance Determination, March 29, 2023, at 86 (FY 2022 ACD).

Second, the Postal Service proposes to use the Outbound International NSA SIRVO data “Tracked” indicator to attribute settlement expenses more accurately to NSA FCPIIS. *Id.* at 2. The Postal Service explains that Outbound FCPIIS tracking remuneration is included for some countries in settlement costs, but data used in the ICRA do not distinguish between tracked and un-tracked NSA FCPIIS. *Id.* at 13. As a result, the ICRA applies a higher tracked per-piece settlement rate to all countries to calculate NSA FCPIIS settlement expenses. *Id.* The Postal Service proposes to incorporate the “Tracked” indicator to apply the tracked per-piece settlement rate only to countries that include FCPIIS tracking remuneration in settlements. *Id.*

Third, the Postal Service proposes to use Outbound International NSA SIRVO gross weight data to attribute settlement expenses and domestic and international transportation costs to outbound International NSA products. *Id.* at 2. Previously, data for outbound International NSA products included only net weights, so the ICRA applied gross-to-net-weight conversion factors using non-NSA product data. *Id.* at 2, 14. Following the Commission’s approval of Docket No. RM2022-9, Proposal Three, NSA gross weight is now included in the underlying data used in the ICRA. *Id.* at 14. Accordingly, the Postal Service proposes to incorporate the gross weights for outbound International NSA products to refine its calculations of settlement expenses and domestic and international transportation costs, and to make the International NSA approach consistent with the non-NSA approach. *Id.*

Fourth, beginning with Postal Quarter 2 of FY 2023, the Postal Service proposes to apply PMI average domestic transportation unit cost to calculate the domestic transportation costs for NSA PMI destined to Canada. *Id.* at 3. Currently, the Postal Service applies PMI zone-based domestic transportation

unit costs to zone profile data for NSA PMI destined to Canada. *Id.* However, in Docket No. CP2023-42, the Commission approved the Postal Service's request to collapse zone-based prices for PMI destined to Canada into a single country group. See Order No. 6384. Consequently, the Postal Service explains that the estimated zone-based unit costs that are developed in the ICRA are no longer useful for PMI destined to Canada. Petition, Proposal Three at 6.

Finally, the Postal Service proposes several "maintenance and aesthetic changes that clarify and streamline the ICRA model" in advance of the FY 2023 Annual Compliance Report (ACR). *Id.* at 4. For instance, the Postal Service proposes to remove sections of the ICRA model that are redundant or no longer used, refresh nomenclature used in the model, update product labels to align with the Mail Classification Schedule (MCS), and modify or eliminate certain workbooks to promote clarity and efficiency. *Id.* at 7.

Impact. According to the Postal Service, the proposed changes are "relatively minor, because, in total, they have a percentage impact of less than one percent." *Id.* at 1. Specifically, the Postal Service asserts that if this proposal had been in effect in FY 2022, the net impact on total costs of Market Dominant products and Competitive products would have been zero. *Id.* at 8. Further, with respect to International NSAs, the Postal Service represents that there would have been no impact on Inbound International NSAs, all positive contribution Outbound International NSAs would have remained positive, and all negative contribution Outbound International NSAs would have remained negative. *Id.*

III. Notice and Comment

The Commission establishes Docket No. RM2023-8 for consideration of matters raised by the Petition. More information on the Petition may be

accessed via the Commission's website at <https://www.prc.gov>. Interested persons may submit comments on the Petition and Proposal Three no later than July 12, 2023. Pursuant to 39 U.S.C. 505, Samuel Koroma is designated as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

IV. Ordering Paragraphs

It is ordered:

1. The Commission establishes Docket No. RM2023-8 for consideration of the matters raised by the Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Three), filed June 7, 2023.

2. Comments by interested persons in this proceeding are due no later than July 12, 2023.

3. Pursuant to 39 U.S.C. 505, the Commission appoints Samuel Koroma to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this docket.

4. The Secretary shall arrange for publication of this order in the **Federal Register**.

By the Commission.

Erica A. Barker,

Secretary.

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